PRESS RELEASE

BUSINESS REVIEW
AT 30 JUNE 2017

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1.1 INTRODUCTION

1.1.1 Preamble

€millions	Residential	Office	Diversification	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	TOTAL
Revenues	**640.8**	**160.8**	**2.0**	**803.6**		**803.6**
Variation vs 30/06/2016	*+ 26.6%*	*+ 59.9%*	*n/a*	***+ 32.5%***		***+ 32.5%***
Net property income	61.9	17.1	0.7	**79.7**		**79.7**
External services	0.6	4.3	–	**5.0**		**5.0**
Net revenue	**62.6**	**21.5**	**0.7**	**84.7**		**84.7**
Own work capitalised and production held in inventory	61.6	10.6	–	**72.2**		**72.2**
Operating expenses	(87.3)	(18.1)	(0.7)	**(106.1)**		**(106.1)**
Net overhead expenses	**(25.7)**	**(7.5)**	**(0.7)**	**(33.9)**		**(33.9)**
Share of equity-method affiliates	4.0	4.6	4.6	**13.2**	1.3	**14.4**
Change in value - Residential					(7.5)	**(7.5)**
Change in value - Office					(2.7)	**(2.7)**
Change in value - Diversification					(0.3)	**(0.3)**
Other					–	**–**
OPERATING INCOME	**40.8**	**18.5**	**4.6**	**63.9**	**(9.3)**	**54.7**
Change vs 30/06/2016	*+ 19.9%*	*+ 73.0%*	*+ 8.9%*	***+ 30.5%***		
Net borrowing costs	(3.2)	(1.3)	–	**(4.5)**	(0.5)	**(5.0)**
Income/loss in the value of financial instruments	–	–	–	**–**	(2.9)	**(2.9)**
Other	0.1	–	–	**0.1**	(0.3)	**(0.3)**
Corporate Income Tax	(2.5)	(0.3)	–	**(2.9)**	(8.4)	**(11.3)**
NET INCOME	**35.1**	**16.9**	**4.6**	**56.6**	**(21.4)**	**35.2**
Non-controlling interests	(3.8)	0.2	(0.0)	**(3.7)**	0.3	**(3.4)**
NET INCOME, GROUP SHARE	**31.3**	**17.1**	**4.6**	**52.9**	**(21.1)**	**31.8**
Change vs 30/06/2016				***+ 31.5%***		***+ 39.2%***
Diluted average number of shares				*1 748 528*		*1 748 528*
NET PROFIT ATTRIBUTABLE TO GROUP SHAREHOLDERS				**30.27**		**18.19**
Change vs 30/06/2016				***+ 31.4%***		***+ 39.2%***

Paris, 27 July 2017, 5:45 pm. Following review by the Supervisory Board, Management approved the H1 2017 consolidated financial statements. Limited review procedures have been carried out. The Auditors' certification report is being issued.

1.1.2 Leading developer in French gateway cities

Altareit has a unique know-how in Residential (including Serviced residences) and Office Development (including Hotels).

Altareit focuses its activities on 12 gateway cities in France1, which hold most of France's demographic and economic growth, on less than 10% of its land area.

The Group has also set itself up in the Basque Country, in Bayonne.

1.1.3 HY highlights: sharp increase in investments

Property development is still driven by a favourable environment, particularly in terms of interest rates and the tax environment, with a positive impact both on Residential new orders and on the demand for premium Offices (rental and investment).

Cumulative new orders in the Property Development business (Residential and Office Property) represented €1,869 million in 2017, up 55% from the first half of 2016.

New orders (€m incl.taxes)	**HY 2017**	**HY 2016**	***Var.***
Residential	1,199	961	*+25%*
	4 822 units	*4 000 units*	*+21%*
Office	669	243	*+175%*
Total	**1,869**	**1 204**	***+55%***

With revenue of €797,2 million (+32.1%), Property Development contributed to the significant increase in the Group's consolidated results in the first half of 2017.

The Group continue to have good visibility for its future growth results, with an equivalent economic context, thanks to its important backlog which reaches € 3.6 billion (+ 10%).

[1] *Grand Paris, Métropole Nice Côte d'Azur, Marseille-Aix-Toulon, Toulouse Métropole, Grand Lyon, Grenoble-Annecy, Nantes Métropole, Bordeaux Métropole, Eurométropole de Strasbourg, Métropole Européenne de Lille, Montpellier Méditerranée Métropole and Rennes Métropole.*

1.2 BUSINESS REVIEW

A 99.63% subsidiary of the Altarea Cogedim Group, ALTAREIT combines Altarea Cogedim Group's Residential and Office development activities as well as development and growth activities, including the stake held in the Rungis Market.

1.2.1 Diversification

1.2.1.1 RUNGIS NATIONAL INTEREST MARKET (MIN)

Altareit Group has a 33.34% stake in Semmaris, the company that holds the Rungis MIN concession, together with the State (33.34%), sev-eral other public entities, and market operators.

RUNGIS MARKET

Rungis is the world’s largest food wholesale market, spanning 2,340,000 m², with more than 1,000,000 m² of leasable surface area. The market’s 1,200 operators employ nearly 12,000 people. Sales in 2015 stood at €8.8 billion.

SEMMARIS

The Semmaris was created by decree in 1965 on the occasion of the transfer of the wholesale market of the Paris region from its historic site Les Halles in the heart of Paris. Its mission is to develop, operate and manage the MIN facilities it leases to businesses for fees charged to wholesalers and market users.

The Macron Act, which was passed in 2015, extends the Semmaris concession until 2049 (compared to 2034 previously). This extension provides Semmaris with sufficient visibility so that it can implement its new investment plan by 2025. Semmaris plans to build 264,000 m², demolish 132,000 m², and redevelop 88,000 m², at a total cost of €1 billion, half of which will be borne by Semmaris and the remainder by the businesses at the site.

SEMMARIS REVENUES

Semmaris’ revenue is composed of charges billed to the market’s companies and of access rights, for a HY 2017 total of €54.9 million, up to 1.3%.

As the Group holds only a 33.34% interest in Semmaris, the IFRS consolidated income for Semmaris appears on the line, “Share of earnings of equity method associates”.

1.2.1.2 HOTEL BUSINESS

ALTAREIT, through its subsidiary SAS Empire, holds the business of the Hôtel **** Renaissance located 39-41 avenue Wagram in Paris.

The Renaissance Hotel designed by the architect Christian de Portzamparc opened on May 4, 2009, it includes 118 rooms and also hosts three furniture shops on the ground floor. A management contract was signed with the Marriott Group until May 31, 2029.

Operating income amounted to - € 0.7 million for the periode.

1.2.2 Development

Altareit's Development business is operated under three trademarks, each having its own operational autonomy: Cogedim, Histoire & Patrimoine[2] and Pitch Promotion.

Cumulative new orders in the Property Development business (Residential and Office Property) represented €1,869 million in 2017, up 55% from the first half of 2016.

With revenue of €801.5 million (+32.1%) and an FFO operating income of €59.3 million (+35.4% compared with the first half of 2016), Property Development contributed to the significant increase in the Group's consolidated results in the first half of 2017.

1.2.2.1 RESIDENTIAL

Residential market in the first half of 2017 and outlook

The recovery of the national residential market, which began in 2015, was confirmed in the first half of 2017 with sales up +14%[3].

The residential market as a whole, including institutional investors, private investors and homeowners, enjoyed continued low interest rates and effective incentives in the Pinel programme and increased Zero Rate Loans (ZRLs).

This bright spell for the market was also seen in figures for construction permits (+16% for the last 12 months) and started constructions (+18%)[4].

Although interest rates had been increasing since December 2016, this increase has been negligible since May and has no effect on the solvency of demand. The rates were 1.57% in June 2017, which was a lower level than at the beginning of the summer 2016[5]. Moreover, adjustments to the Pinel Act are expected. However, these should not have a significant impact on the market conditions which remain favourable, given the extent of current needs.

Products policy

A broad, demand-sensitive range of products

With a presence in the 12 regional capitals6 with the greatest growth, the Group targets high-demand areas where the demand for housing is the greatest.

With its three trademarks (Cogedim, Pitch Promotion and Histoire & Patrimoine), Altarea Cogedim has a broad product offering, enabling it to perfectly meet the needs of every market segment:

• high-end products7: these products are defined by high-end requirements in terms of location, architecture and quality. They represent 18% of the new orders of the Group in the first half of 2017, with in particular three programs being marketed within Paris;

• entry-level and mid-range8: these programmes, which accounted for 77% of the Group's new orders, are specifically designed to:

- meet the need for affordable housing suited to the creditworthiness of our customers,

- fulfill individual investors' desires to take advantage of the new Pinel scheme,

- take advantage of local authorities' eagerness to develop affordable housing operations;

• Serviced Residences: the Group develops an extended line (student residences, business tourism residences, exclusive residences, etc.). In addition, under the Cogedim Club® brand, Altarea Cogedim designs serviced residences for active seniors, combining locations in the heart of the city with a broad range of à la carte services. During the first half of 2017, a Cogedim Club® was opened in Bordeaux Bassins à Flot area, bringing the number of residences in operation to eight;

• divided ownership sales: under the Cogedim Patrimoine brand, the Group develops programmes under a French government policy known as social rental usufruct. This additional offering, while meeting the need for low-cost housing in high-demand areas and thereby helping out local communities, provides an alternative investment product for private investors;

• renovation of historical sites: under the Histoire & Patrimoine brand, the Group has a range of products for Historical Monuments, Malraux Law properties and Real Estate Tax Losses.

In all of these ranges and its brands, the Group stands out by its signature, a guarantee of quality, innovation and environmental commitment:

• almost all the Group's operations are certified NF Habitat, a true benchmark of quality and performance of the housing, guaranteeing enhanced comfort and energy savings;

• the Group strives to stay ahead of its clients' expectations. An expert team of architects and interior designers analyse, model and anticipate tomorrow's habits. The plans offer adjustable build-outs, tailored to family structures and lifestyles;

[2] *Company 50% owned.*
[3] *Source: Observatoire de l'Immobilier de la FPI Q1 2017.*
[4] *Source: Ministry of Sustainable Development. Housing construction – May 2017.*
[5] *Source: Observatoire Crédit Logement June 2017.*
[6] *Grand Paris, Métropole Nice Côte d'Azur, Marseille-Aix-Toulon, Toulouse Métropole, Grand Lyon, Grenoble-Annecy, Nantes Métropole, Bordeaux Métropole, Eurométropole de Strasbourg, Métropole Européenne de Lille, Montpellier Méditerranée Métropole and Rennes Métropole. The Group is also present in the Basque Country, in Bayonne.*
[7] *Programmes at over €5,000 per m² in the Paris Region and over €3,600 per m² in other regions.*
[8] *Programmes under €5,000 per m² in the Paris Region and under €3,000 per m² in other regions, as well as exclusive programmes.*

• the Group strives to innovate and create new ways to live, such as in the 13th district of Paris where the Nudge programme encourages residents to adopt more virtuous behaviour with respect to ecoresponsability, socialisation with neighbours and daily creativity.

Reservations by volume and value

The Group's new orders came to €1,199 million[9] in the first half of 2017, or 4,822 units (+25% in terms of value and +21% in terms of volume).

	H1 2017	H1 2016	*Chang*
Retail sales	€911m	€755m	*+21%*
Block sales	€289m	€205m	*+41%*
Total in value terms	**€1,199m**	**€961m**	**+25%**
Retail sales	3,402 units	2,830 units	*+20%*
Block sales	1,420 units	1,170 units	*+21%*
Total in units	**4,822 units**	**4,000 units**	**+21%**

The half-year reservations were driven by:

• retail sales, which rose 20% in volume compared to the first half of 2016, taking full advantage of the re-growth of solvency by households (low interest rates, ZRLs, the Pinel programme, etc.);

• block sales, which rose 21% in volume: the Group is a preferred partner of investors, both for social dwelling and intermediate or market-rate housing. The increase in block sales by 41% in value resulted in particular from a large number of sales in the immediate Paris Region.

Reservations by product range

Number of units	**H1 2017**	*%*	**H1 2016**	*%*	*Change*
Entry-level / mid-	3,735	*77%*	2,797	*70%*	
High-end	872	*18%*	957	*24%*	
Total Res. Services	91	*2%*	120	*3%*	
Renovation	124	*3%*	126	*3%*	
Total	**4,822**		**4,000**		**+21%**

Notarised sales: +98%

€millions incl. tax	**H1 2017**	*%*	**H1 2016**	*%*	*Change*
Entry-level / mid-	581	*54%*	339	*63%*	
High-end	430	*40%*	184	*34%*	
Total Res. Services	51	*5%*	6	*1%*	
Renovation	8	*1%*	12	*2%*	
Total	**1,070**		**540**		**+98%**

The change in notarised sales compared with the first half of 2016 reflects the growth in the Group's business activity since 2015.

Improvement in all performance indicators

Revenue: +27%[10]

€millions excl. tax	**H1 2017**	*%*	**H1 2016**	*%*	*Change*
Entry-level / mid-range	403	*63%*	313	*62%*	
High-end	198	*31%*	172	*34%*	
Serviced Residences	39	*6%*	20	*4%*	
Total	**640**		**506**		**+27%**

Outlook

All the operational indicators reflecting the Group's outlook (commercial launches, backlog and pipeline) were up significantly compared with the first half of 2016.

Commercial launches: +7%

	H1 2017	**H1 2016**	**Change**
As revenue incl. tax (€m)	**1,406**	**1,316**	**+7%**
Number of units	5,863	5,672	
Number of programmes	96	73	

Residential backlog: +11%[11]

€millions excl. tax	**30/06/2017**	**31/12/2016**	*Chang*
Notarized revenues not recognised on a % of completion	1,499	1,307	
Revenues reserved but not notarized	1,430	1,333	
Backlog	**2,929**	**2,640**	**+11%**
Number of months	*26*	*24*	

Properties for sale[12] and future offering: 43 months of pipeline[13]

€millions incl. tax Potential revenue	**30/06/2017**	**No. of months**	**31/12/2016**	***Change***
Property for	1,526	*8*	*1,337*	
Future offering	6,968	*35*	*6,809*	
Total pipeline	**8,494**	**43**	**8,146**	**+4%**
In no. of units	*36,290*		*34,542*	*+5%*
In m²	*2,032,230*		*1,934,352*	*+5%*

[9] In euro including taxes.
[10] Revenues recognised according to the percentage-of-completion method in accordance with IAS 18. The percentage of completion is calculated according to the stage of construction not including land.
[11] Residential backlog consists of revenues (excluding tax) from notarised sales to be recognised on a percentage-of-completion basis and individual and block reservations to be notarised.
[12] Units available for sale (incl. taxes value, or number count).
[13] Future offering consisting of controlled projects (through an option on the land, almost exclusively in unilateral form) whose launch has not yet occurred. (value including taxes when stated in euros).

Risk management

Breakdown of properties for sale at 30 June 2017 (€1,526 million incl. tax, or 8 months of business), according to the stage of operational completion:

€millions	**-**	**< Risk >**	**+**	
	Project not yet	**Project under construction**	**In stock**	**Total**
Expenses (b)	175			
Cost price (c)		391	13	
Properties for sale (d) (e)	**882**	**556**	**16**	**1,455**
In %	*61%*	*38%*	*1%*	
Histoire & Patrimoine products				*63*
Measurement products				*8*
Properties for sale (e)				**1,526**
o/w to be delivered	*in 2017*	*27*		
	in 2018	*264*		
	in 2019 and after	*264*		

(a) Total value for sale on delivered programmes.
(b) Total amount already spent on operations in question, excl. tax.
(c) Cost price of properties for sale (excl. tax).
(d) Excl. Histoire et Patrimoine and Pitch Promotion' renovation
(e) As revenue incl. tax.

Management of real estate commitments

61% of properties for sale (or €900 million) concerns programmes for which construction has not yet started (55% under preparation and 10% where the construction has not yet been launched) and for which the amounts committed essentially correspond to evaluation, advertising and land-sale fees (or guarantees) paid upon the signature of preliminary land acquisition agreements, and cost of property (if applicable).

38% of the offering (or €556 million) is currently under construction, including a limited share (€27 billion) representing units to be delivered between now and the end of 2017.

The stock amount of finished products is insignificant (1% of the total offer).

This breakdown of developments by stage of completion reflects the criteria implemented by the Group:

• the will to give priority to signature of unilateral preliminary sale agreements rather than bilateral sale and purchase agreements;

• requiring agreement from the Commitments Committee at all stages of the transaction: signature of the purchase agreement, marketing launch, land acquisition and launch of construction;

• requiring a high level of pre-marketing at the time the site is acquired, as well as at the start of construction work;

• withdrawing from or renegotiating transactions having generated inadequate take-up rates.

1.2.2.3 OFFICE PROPERTY

First-half economic conditions

Investment in office property[14]

Confirming the seasonality of the investment market, the first quarter of 2017 reached a standstill after the strong activity at the end of 2016, a year during which €26 billion were committed in office property. The French market is very attractive for investors, and strong activity is expected in the coming months in all the market segments, on the back of a rebound in the rental market, particularly in the Paris Region (Ile-de-France).

Investment in office property in the Paris Region[15]

With 664,000 m² ordered, the volumes in the first quarter of 2017 are excellent: +27% over the year and +25% with respect to the average of the first quarters of the past 10 years. Transaction of over 5,000 m², which account for half of the m² ordered, contributed significantly to this strong performance.

The vacancy rate in the Paris Region of 6.3% is stable for the Q1.

Group strategy

Investor, Property Developer, Service Provider

The Group has developed a unique model that enables it to operate on the office property market in a highly significant manner with a limited risk:

• as an medium-term investor directly or through AltaFund[16] as part of an investment strategy in assets with high potential (prime location) in view of their medium-term sale once redevelopped[17];

• as a property developer[18], with a particularly strong position on the market for turnkey projects intended for users. The Group is also systematically the developer of projetcs in which it acts as co-investor;

• as a service provider[19] for major institutional investors. The Group is also systematically the service provider for projects in which it acts as co-investor.

Altarea Cogedim is able to operate at each step of the value-creation chain with a diversified revenue mix (PDC margins, rent, capital gains, fees, etc.).

Pending operations and pipeline

At 30 June 2017	Number of projects	Surface areas at 100%	Potential value at 100% excl. tax
Medium term investor (a)	5	164,800 m²	€2,000m
Property developer (b)	46	637,400 m²	€1,725m
Service provider (Delegated project (c))	3	49,500 m²	€165m
TOTAL	**54**	**851,800**	**€3,980 m**

(a) Directly or through AltaFund. Potential value: market value of assets (excl. tax).
(b) Potential value: value of the signed contracts (or estimate) (excl. tax).
(c) Potential value: capitalised fees for delegated projects.

The project portfolio includes 54 transactions that the Group is constructing or will construct, at various stages of completion, for the full value of €3,890 million.

Geographic breakdown

Secured pipeline	No. of projects	Surface areas
Paris inner city	9	130,100 m²
Grand Paris	20	384,700 m²
Grand Lyon	3	59,000 m²
Bordeaux Métropole	2	90,600 m²
Marseille-Aix-Toulon	7	54,600 m²
Other regional gateway	13	132,800 m²
TOTAL	**54**	**851,800 m²**

Secured commitments

At 30 June 2017	In Group
Already invested	€120m
To be invested	€149m
Total commitments	**€169m**

[14] *Source CBRE: Marketview Investissement.*
[15] *Source CBRE: Marketview Bureaux.*
[16] *AltaFund is a discretionary investment fund, created in 2011, with €650 million in equity of which Altarea Cogedim is one of the contributors alongside leading institutional investors.*
In March 2015, the Group increased its AltaFund capital allocation from €100 million to €150 million, thereby increasing its interest in new programmes initiated by AltaFund since 2015 to 30% (previously 17%).
[17] *Resold rented or not.*
[18] *In the form of off-plan sale agreements, off-plan lease and property development contracts. The Property development activity does not represent any commercialization risk for the Group, only a risk in terms of work.*
[19] *Through delegated project management contracts, letting, sales, asset and fund management.*

A. Investment

The Group's medium-term investment projects (direct or through AltaFund) are part of an investment strategy in assets with high potential (prime locations) in view of their medium-term sale once redevelopped.

At 30 June 2017, the Group secured 5 transactions, for a cost price of €1.2 billion at 100% (€226 million in Group share) and a potential value of €2 billion (estimated sales price).

The deliveries of these transactions will be staggered between 2018 and 2021.

Transaction	Group share	Surface areas	Estimated rental income [(a)]	Cost price [(b)]	Yield-on-cost	Estimated potential Value [(c)]	Progress [(d)]
KOSMO, Neuilly-sur-Seine	17%	27,000 m²					Under construction
RICHELIEU, Paris	58%	31,800 m²					Under construction
LANDSCAPE (exTours Pascal), La Défense	15%	70,500 m²					Secured
TOUR ERIA, La Défense	30%	26,600 m²					Secured
BOBIGNY La Place	100%	10,000 m²					Secured
TOTAL at 100%		**164,800 m²**	**€81.9**	**€1,189m**	**6.9%**	**€2,000m**	
TOTAL Group share	**19%** [(e)]	**34,400 m²**	**€15.3**	**€226m**	**6.7%**	**€348m**	

(a) Gross rent before supporting measures.
(b) Including acquisition of land.
(c) Potentiel value: market value (excl. tax) for direct investment or through AltaFund.
(d) Secured projects: projects either fully or partly authorised, where the land has been acquired or for which contracts have been exchanged, but on which construction has not yet begun.
(e) Weighted average of group share.

Major post-closing leasing events

The Group is in the process of finalising a major leasing transactionsto host the head office of a subsidiary of emblematic CAC 40 group, in the building Kosmo (27,000 m². in Neuilly-sur-Seine).

Early July, Altarea Cogedim also decided to set up its future head office in a major section of the Richelieu building (in the 2nd arrondissement of Paris) in which the Group is also an investor (stake in the project is 58%). This building, which will bring together all the Group's subsidiaries, will also host a new co-working concept and a business centre operated by Altarea Cogedim. Perfect example of the Group's know-how when it comes to major restructuring, the project will be delivered in the 2nd half of 2019 and will reflect Altarea Cogedim's vision for Office of the future.

Together, these two transactions represent 58,800 m², and headline rents of over €34 million. The value creation from these two transactions will fuel the Group's profits over the next few years.

[20].

20 The average share for the Group in these two transactions represents 32% (of cost price).

B. Property Development

With respect to property development, the Group is involved in two types of projects:

• customer projects "100% external" (investor, users);

• projects for which the Group acts as a medium-term co-investor (directly or through AltaFund).

At 30 June 2017, the Group is working on 23 projects within the framework of off-plan sale and PDC contracts signed and on 28 secured projects being signed (pipeline).

Off-plan/property development contracts by client type

At 30 June 2017	No.	Surface area	Revenue (excl. tax) (a)
100% external projects	46	637,400 m²	€1,725m
Projects for which the Group acts as a co-	5	164,900 m²	€539m
TOTAL at 100%	**51**	**802,300 m²**	**€2,264m**
o/w signed contracts	*23*	*317,800 m²*	*€994m*
o/w pipeline	*28*	*484,500 m²*	*€1,269m*

(a) Revenue (excl. tax) of off-plan sale contracts or PDC signed or being signed (estimate).

Projects started

During the half year the Group started work on six transactions, including the RICHELIEU and PONT D'ISSY buildings.

Deliveries

During the half-year, the Group delivered 11 transactions for a total of more than 110,000 m², including the FHIVE building in the 4th district of Paris (22,700 m² on behalf of an international investor) and a building in Lyon Gerland area (15,100 m² for Sanofi).

Supply

During the first half, the Group was selected for a new transaction of 24,500 m² in Rueil-Malmaison, as well as for two transactions in Regions.

C. Services

With regard to services, the Group participates:

• in "100% external" projects, within the context of DPM contracts;

• in projecs for which the Group acts as medium-term co-investor, Altarea Cogedim earns fees through DPM contracts, leases, sales, or earns asset and fund management fees.

On-going DPM contracts on "100% external" projects

30 June 2017	Surface areas
52 CHAMPS ELYSÉES, Paris	24,000 m²
16 MATIGNON, Paris	13,000 m²
PARIS-LYON TOWER, Paris	12,500 m²
TOTAL	**49,500 m²**

In addition, at the beginning of July, the Group signed a DPM contract regarding renovation of the 42 VAUGIRAUD building into a turn-key user.

Operating income

New orders[21]: €669 million, +175%

These operational progress and commercial success translate into a strong level of new orders this half-year: €669 million.

The major new orders in the year involved signature of PDC contracts on three major deals: PONT D'ISSY in Issy-les-Moulineaux, RICHELIEU in Paris, and a building in Lyon (25 100 m², delivery at the end of 2019).

	30/06/2017	30/06/2016	*Change*
In value (as Group share)	€669m	€243m	*+175.3%*
In surface area (in m²)	160,500	130,200	*+23.3%*

Backlog[22] (Off-plan, Property Development contracts and delegated project management)

The Group had a backlog of €666 million, 6% higher than at year-end 2016.

€millions	30/06/2017	31/12/2016	*Chang -*
Backlog (Off-plan, Property Development contracts)	€664m	€626m	
Backlog of DPM fees	€2m	€4m	
TOTAL	**€666m**	**€630m**	*+6%*

21 Value (incl. tax) of office orders (signed off-plan & Property Development contracts, capitalised fees for delegated projects, and AltaFund arbitrations) signed during a period.

22 Backlog is composed of notarised sales, excl. tax, not yet recorded according to the percent of completion method, new orders excl. tax, not yet notarised (signed property development contracts), and fees to be received from third parties on signed contracts.

1.2.2.4 CONVENIENCE RETAIL

Retail formats, in particular in the food sector, are evolving, and convenience stores are making a comeback with consumers. Seeking new market share, the large retail groups have decided to position themselves through multiple distribution channels (the multi-format), enlarging the range of points of sale, from hypermarket to convenience store.

In 2014, Altarea Cogedim launched Alta Proximité to provide the new neighbourhoods developed by the Group with a quality supply of everyday retail and services. The Alta Proximité initiative establishes partnerships with retail and convenience chains in order to industrialise supply, whether in the area of groceries, restaurants, health, childcare or leisure.

This initiative, born of the Group's retail know-how, is quite different from that of other, traditional residential developers, as demonstrated by the Group's recent successes in large urban projects.

The potential for this business represents approximately 20,000 m² of retail space per year and approximately €10 million in recurring operating income in the future, which will be added to the net operating income from Development.

As at 30 June 2017, the convenience retail portfolio is as follows:

	No.	Surface area	Revenue (€m)
Secured Transactions	**54**	**119,500**	**353**
< 3,000 m²	44	26,500	67
between 3,000 m² and 7,000	5	22,400	73
> 7,000 m²	5	70,600	214
Transactions Under Development	**25**	**29,000**	**75**
< 3,000 m²	20	13,000	30
between 3,000 m² and 7,000	2	6,000	14
> 7,000 m²	1	10,000	31
TOTAL Portfolio	**79**	**148,500**	**428**

The Group's strategy for these retail complexes is twofold:

• pure real estate development (Development, Valuation, Resale) for transactions under €50 million, which can be in some cases maintained under management;

• occasional retention for unusually attractive operations.

1.3 CONSOLIDATED RESULTS

Recurring net result (FFO) Group share rose significantly to €52.9 million (+31.5%).FFO per share increased sharply at €30.27 per share (+31.4%).

€millions	Residential	Office	Diversification	Funds from operations (FFO)	Changes in value, estimated expenses and transaction costs	TOTAL
Revenue	**640.8**	**160.8**	**2.0**	**803.6**		**803.6**
Change vs 30/06/2016	*+ 26.6%*	*+ 59.9%*	*n/a*	***+ 32.5%***		***+ 32.5%***
Net property income	61.9	17.1	0.7	**79.7**		**79.7**
External services	0.6	4.3	–	**5.0**		**5.0**
Net revenue	**62.6**	**21.5**	**0.7**	**84.7**		**84.7**
Own work capitalised and production held in inventory	61.6	10.6	–	**72.2**		**72.2**
Operating expenses	(87.3)	(18.1)	(0.7)	**(106.1)**		**(106.1)**
Net overhead expenses	**(25.7)**	**(7.5)**	**(0.7)**	**(33.9)**		**(33.9)**
Share of equity-method affiliates	4.0	4.6	4.6	**13.2**	1.3	**14.4**
Change in value - Residential					(7.5)	**(7.5)**
Change in value - Office					(2.7)	**(2.7)**
Change in value - Diversification					(0.3)	**(0.3)**
Other					–	**–**
OPERATING INCOME	**40.8**	**18.5**	**4.6**	**63.9**	**(9.3)**	**54.7**
Change vs 30/06/2016	*+ 19.9%*	*+ 73.0%*	*+ 8.9%*	***+ 30.5%***		
Net borrowing costs	(3.2)	(1.3)	–	**(4.5)**	(0.5)	**(5.0)**
Income/loss in the value of financial instruments	–	–	–	**–**	(2.9)	**(2.9)**
Other	0.1	–	–	**0.1**	(0.3)	**(0.3)**
Corporate Income Tax	(2.5)	(0.3)	–	**(2.9)**	(8.4)	**(11.3)**
NET INCOME	**35.1**	**16.9**	**4.6**	**56.6**	**(21.4)**	**35.2**
Non-controlling interests	(3.8)	0.2	(0.0)	**(3.7)**	0.3	**(3.4)**
NET INCOME, GROUP SHARE	**31.3**	**17.1**	**4.6**	**52.9**	**(21.1)**	**31.8**
Variation vs 30/06/2016				***+ 31.5%***		***+ 39.2%***
Diluted average number of shares				*1,748,528*		*1,748,528*
NET PROFIT ATTRIBUTABLE TO GROUP SHAREHOLDERS				**30.27**		**18.19**
Change vs 30/06/2016				***+ 31.4%***		***+ 39.2%***

FFO[23] Group share: €52.9 m (+31.5%)

FFO group share represents operating cash flow after net borrowing costs, corporate income tax and non-controlling interests.

Recurring net result (FFO) Group share rose significantly to €52.9 million (+31.5%).

Changes in value and calculated charges: €-21.1m

Group share	€millions
Change in value - Financial instruments	(2.9)
Disposal of assets and transaction costs	(0.6)
Share of equity-method associates	1.3
Deferred tax	(8.4)
IFRS 2 stock grant plan charges	(6.0)
Other estimated expenses [(a)]	(4.8)
TOTAL Continuing activities	**(21.4)**
Non-controlling interests	0.3
TOTAL Group share	**(21.1)**

[23] *Funds from operations or operating cash flow from operations.*

(a) Allowances for depreciation and non-current provisions, pension provisions, staggering of debt issuance costs and other financial results.

1.4 FINANCIAL RESOURCES

At 30 June 2017, the Altareit Group's financial net debt stood at €795 million.

€millions	30/06/2017	31/12/2016
Corporate debt	635	534
Property Development and other debts	317	291
Total gross debt	**951**	**825**
Cash and cash equivalents	(301)	(253)
Total Net debt	**650**	**572**
Other borrowings	145	106
Total Financial net debt	**795**	**678**

Financial covenants

Altareit's corporate debt is subject to Altarea Cogedim's consolidated convenants (LTV<60%, ICR>2). They are respected with significant room as at 30 June 2017 (LTV at 37.4% and ICR at 8.6).

Property development debt, secured against development projects, is subject to covenants specific to each project.

Gearing[24] stood at 1.46 x.

	Covenant	30/06/2017	31/12/2016	Delta
LTV[(a)]	≤ 60%	37.4%	37.2%	0.2 pts
ICR[(b)]	≥ 2,0x	8,6x	7,4x	1,2x

(a) LTV (Loan to Value) = Net debt/Restated value of assets including transfe duties.
(b) ICR = Operating income/Net borrowing costs. (Funds from operations column).

[24] Net debt to consolidated shareholders' equity.

Consolidated income statement at 30 June 2017

€ millions	30/06/2017 Funds From Operations (FFO)	30/06/2017 Changes in value. estimated expenses and transaction costs	30/06/2017 Total	30/06/2016 Funds From Operations (FFO)	30/06/2016 Changes in value. estimated expenses and transaction costs	30/06/2016 Total
Revenue	640.2	–	640.2	505.6	–	505.6
Cost of sales and other expenses	(578.3)	(1.4)	(579.7)	(464.1)	(1.0)	(465.0)
Net property income	**61.9**	**(1.4)**	**60.5**	**41.6**	**(1.0)**	**40.6**
External services	0.6	–	0.6	0.4	–	0.4
Production held in inventory	61.6	–	61.6	45.6	–	45.6
Operating expenses	(87.3)	(5.1)	(92.4)	(60.6)	(2.5)	(63.1)
Net overhead expenses	**(25.1)**	**(5.1)**	**(30.1)**	**(14.7)**	**(2.5)**	**(17.2)**
Share of equity-method affiliates	**4.0**	**1.1**	**5.1**	**6.1**	**0.2**	**6.4**
Net allowances for depreciation and impairment	**–**	**(0.7)**	**(0.7)**	**–**	**(1.4)**	**(1.4)**
Transaction costs	**–**	**(0.3)**	**(0.3)**	**–**	**(0.3)**	**(0.3)**
NET RESIDENTIAL INCOME	**40.8**	**(6.4)**	**34.4**	**33.1**	**(4.9)**	**28.2**
Revenue	156.4	–	156.4	97.9	–	97.9
Cost of sales and other expenses	(139.3)	(1.3)	(140.6)	(88.9)	(0.9)	(89.8)
Net property income	**17.1**	**(1.3)**	**15.8**	**9.0**	**(0.9)**	**8.1**
External services	4.3	–	4.3	2.6	–	2.6
Production held in inventory	10.6	–	10.6	6.9	–	6.9
Operating expenses	(18.1)	(1.2)	(19.4)	(10.9)	(1.0)	(11.9)
Net overhead expenses	**(3.2)**	**(1.2)**	**(4.4)**	**(1.4)**	**(1.0)**	**(2.3)**
Share of equity-method affiliates	**4.6**	**1.8**	**6.4**	**3.1**	**(0.5)**	**2.6**
Net allowances for depreciation and impairment	**–**	**(0.1)**	**(0.1)**	**–**	**(0.5)**	**(0.5)**
Transaction costs	**–**	**–**	**–**	**–**	**–**	**–**
NET OFFICE PROPERTY INCOME	**18.5**	**(0.9)**	**17.6**	**10.7**	**(2.8)**	**7.9**
Operating costs	**(0.7)**	**–**	**(0.7)**	**(0.7)**	**–**	**(0.7)**
Net overhead expenses	**(0.7)**	**–**	**(0.7)**	**(0.7)**	**–**	**(0.7)**
Share of equity-method affiliates	**4.6**	**(1.7)**	**2.9**	**4.9**	**(1.7)**	**3.2**
Net allowances for depreciation and impairment	**–**	**(0.3)**	**(0.3)**	**–**	**(0.2)**	**(0.2)**
Gains / losses on disposals of assets	**0.7**	**–**	**0.7**	**–**	**–**	**–**
NET DIVERSIFICATION INCOME	**4.6**	**(2.0)**	**2.6**	**4.2**	**(1.9)**	**2.3**
Other	**–**	**–**	**–**	**1.0**	**–**	**1.0**
OPERATING INCOME	**63.9**	**(9.3)**	**54.7**	**49.0**	**(9.6)**	**39.4**
Net borrowing costs	**(4.5)**	**(0.5)**	**(5.0)**	**(4.9)**	**(0.0)**	**(4.9)**
Discounting of debt and receivables	**–**	**(0.1)**	**(0.1)**	**–**	**(0.1)**	**(0.1)**
Change in value and income from disposal of financial instruments	**–**	**(2.9)**	**(2.9)**	**–**	**(3.6)**	**(3.6)**
Proceeds from the disposal of investments	**–**	**(0.2)**	**(0.2)**	**–**	**0.0**	**0.0**
Dividend	**0.1**	**–**	**0.1**	**0.1**	**–**	**0.1**
Profit before tax	**59.5**	**(13.0)**	**46.5**	**44.2**	**(13.3)**	**30.9**
Corporate income tax	**(2.9)**	**(8.4)**	**(11.3)**	**(2.2)**	**(6.4)**	**(8.6)**
NET INCOME FROM CONTINUING OPERATIONS	**56.6**	**(21.4)**	**35.2**	**42.0**	**(19.7)**	**22.3**
Minority shares in continued operations	**(3.7)**	**0.3**	**(3.4)**	**(1.7)**	**0.1**	**(1.6)**
NET INCOME FROM CONTINUING OPERATIONS, Group share	**52.9**	**(21.1)**	**31.8**	**40.3**	**(19.6)**	**20.6**
Average number of shares after dilution	*1 748 528*	*1 748 528*	*1 748 528*	*1 748 187*	*1 748 187*	*1 748 187*
NET INCOME PER SHARE FROM CONTINUING OPERATIONS, Group share	**30.27**	**(12.08)**	**18.19**	**23.03**	**(11.23)**	**11.80**
Net income from activities in the process of being sold	**–**	**–**	**–**	**–**	**2.2**	**2.2**
NET INCOME	**56.6**	**(21.4)**	**35.2**	**42.0**	**(17.5)**	**24.5**
Non-controlling interests	**(3.7)**	**0.3**	**(3.4)**	**(1.7)**	**0.1**	**(1.6)**
NET INCOME, attributable to Group shareholders	**52.9**	**(21.1)**	**31.8**	**40.3**	**(17.4)**	**22.8**
EARNINGS ATTRIBUTABLE TO GROUP SHAREHOLDERS (€ per share)	30.27	(12.08)	18.19	23.03	(9.96)	13.07

Balance sheet at 30 June 2017

€ millions	30/06/2017	31/12/2016
NON-CURRENT ASSETS	**654.6**	**628.2**
Intangible assets	236.5	238.7
o/w Goodwill	*139.6*	*139.6*
o/w Brands	*89.9*	*89.9*
o/w Customer relationships	*2.8*	*5.5*
o/w Other intangible assets	*4.2*	*3.6*
Property. plant and equipment	14.4	13.1
Investment property	38.3	38.3
Securities and investments in equity affiliates and non-consolidated interests	283.2	246.6
Loans and receivables (non-current)	6.6	6.7
Deferred tax assets	75.6	84.9
CURRENT ASSETS	**1 826.1**	**1 624.9**
Net inventories and work in progress	1 085.8	959.6
Trade and other receivables	429.8	386.0
Income tax credit	1.6	6.5
Loans and receivables (current)	7.4	12.7
Derivative financial instruments	–	7.0
Cash and cash equivalents	301.4	253.1
TOTAL ASSETS	**2 480.7**	**2 253.2**
EQUITY	**446.1**	**415.5**
Equity attributable to Altareit SCA shareholders	**437.5**	**407.1**
Share capital	2.6	2.6
Other paid-in capital	76.3	76.3
Reserves	326.9	288.7
Income associated with Altareit SCA shareholders	31.8	39.5
Equity attributable to non-controlling interests of subsidiaries	**8.5**	**8.4**
Reserves associated with non-controlling interests of subsidiaries	5.1	5.9
Income associated with non-controlling interests of subsidiaries	3.4	2.5
NON-CURRENT LIABILITIES	**625.2**	**496.5**
Non-current borrowings and financial liabilities	609.5	480.5
o/w Borrowings from lending establishments	*609.1*	*480.3*
o/w Participating loans and advances from associates	*0.5*	*0.2*
Long-term provisions	14.7	15.0
Deposits and security interests received	1.0	1.0
Deferred tax liability	0.0	0.0
CURRENT LIABILITIES	**1 409.4**	**1 341.2**
Current borrowings and financial debt (less than one year)	487.3	450.7
o/w Borrowings from credit institutions (excluding overdrafts)	*92.6*	*204.7*
o/w Treasury notes	*242.9*	*138.3*
o/w Bank overdrafts	*6.8*	*2.0*
o/w Group shareholders and partners	*145.1*	*105.6*
Derivative financial instruments	*0.0*	*0.0*
Accounts payable and other operating liabilities	*922.0*	*890.4*
Tax due	0.0	0.0
TOTAL EQUITY AND LIABILITIES	**2 480.7**	**2 253.2**